

~~SECRET - NO FORN DISSEM~~

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1. Prince Sihanouk stated publicly in November 1967 that he had made an oral agreement with the VC to provide them with rice and other supplies in exchange for dollars. He did not indicate, however, when the agreement had been concluded. The referenced report is another of many received during the past three years that claim the Cambodian Government officially participates in supplying rice to VC/NVA forces in South Vietnam.

2. OER has been unable to establish either the effective date of the announced official agreement or the volume of rice covered by it. Considering the growing Communist requirements for Cambodian rice and increasing RKG efforts to control rice exports and foreign exchange transactions, conditions were right for a Cambodian - VC/NVA rice agreement as early as 1965. If the official agreement was, in fact, concluded prior to September 1967, when Sihanouk first publicly alluded to such an agreement, it apparently did not cover all of the Communist purchases. Evidence from captured documents, PW statements and [REDACTED] shows that, at least until mid-1967, some portion of VC/NVA purchases of Cambodian rice were made through unofficial channels by unit supply cadres and paid for in riels. We see no indication of these cadres making payment in dollars or other foreign exchange as indicated by Sihanouk. On the other hand, [REDACTED] an 25X1C official agreement -- some dating back to 1965 -- have indicated that it covers volumes of rice that fall within the scope of OER's estimates of the volumes of Cambodian rice required annually by VC/NVA forces in southern Laos and the highland borders of South Vietnam. We believe their requirements did not exceed 20,000 tons in either 1966 or 1967. Increased infiltration of troops from North Vietnam in the first 5 months of the year may result in higher requirements for Cambodian rice in 1968, however.

25X1X4

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3. It is not clear whether Cambodia's agreement was made with North Vietnam or the NLF/SVN, but in either case, it would be logical for the RKG to seek an anti-smuggling guarantee.

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